

Memorandum for: Record

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Subject: The Independent European Program Group

Attached is a typescript memorandum on the Independent European Program Group (IEPG). It addresses efforts to mold the IEPG into a more influential vehicle for promoting intra-European arms cooperation and to give it a stronger role in US-European consultations. It also reviews the issues IEPG Chairman Jan van Houwelingen is likely to raise with defense officials during his March visit to Washington.

**E U R A**

Office of European Analysis
Directorate of Intelligence

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Central Intelligence Agency

Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

6 March 1985

The Independent European Program Group

Summary

The Independent European Program Group (IEPG) was formed in 1976 to promote defense industrial cooperation among the European Allies. It has no permanent organization but operates through regular meetings at both the political and technical levels. The IEPG has suffered because of both its ad hoc nature and the many competing interests of its members. Of the many attempts to mold the IEPG into a more influential organization, the current effort by its Dutch chairman, Jan van Houwelingen, is the most aggressive. Because of continuing West European dissatisfaction with the perceived US failure to cooperate fully concerning the procurement and coproduction of weapons systems (the "two-way street"), van Houwelingen is pushing for much closer, formal coordination of intra-European programs as well as a stronger IEPG role in US-European consultations. The future of the IEPG, however, will depend upon the ability of its members to subordinate their national interests to the common cause of enhancing European arms cooperation. We expect progress to be slow in this area with most Europeans continuing to pursue national objectives through bilateral negotiations with the United States or other European countries.

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Goals and Structure

The Independent European Program Group (IEPG) was created in 1976 to promote armaments cooperation among the European members of NATO and to foster closer, more balanced cooperation with the United States and Canada. It includes all of the European Allies--except Iceland which has no defense forces--but is independent of NATO. (See attachment 1) Thus, the IEPG provides a convenient forum for the French to participate in European discussions of defense industrial cooperation. [REDACTED]

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The Group's principal aims are to:

- Make effective use of national research, development, and procurement funds, particularly in times of budget austerity.
- Increase the standardization and interoperability of defense equipment.
- Maintain a healthy European defense industrial and technological base.
- Strengthen the West European position in defense procurement relationships with the United States and Canada.

The Europeans aim, through voluntary cooperation, to organize their defense industries and markets to a scale more nearly comparable with those of the United States and ultimately to redress the disparity in defense procurement that currently favors the United States. To date, the IEPG has not been a successful organization, mainly because the members have not made the political commitments necessary to give it political clout. [REDACTED]

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Political Meetings

The IEPG has no permanent organization. Instead, it operates through regular meetings at the political level and at a technical or procedural level. The political meetings usually take place once a year at the ministerial level. The chairmanship of the IEPG rotates every two years. The Netherlands currently holds the chair, and although its tenure is scheduled to end next year, there are some indications the Europeans will ask Jan van Houwelingen, the Dutch chairman, to stay on his job. [REDACTED]

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While some Europeans have previously attempted to turn the IEPG into an influential organization, none has been as aggressive as van

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Houwelingen, who is the State Secretary at the Ministry of Defense in The Hague. Since the IEPG ministerial meetings are designed to provide political guidance to the organization's work, van Houwelingen appears to believe they can only be effective if defense ministers personally attend IEPG ministerials and offer national commitments. In the past, the IEPG has not been successful in creating an atmosphere conducive for reaching these key political agreements. [redacted]

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Working Groups

Technical level meetings are held twice a year. Representatives of national armaments directors coordinate the activities of three panels and their subordinate working groups: (See Attachment 2)

o Panel 1 analyzes major equipment requirements of IEPG members in order to identify potential cooperative programs. Its major working group analyzes equipment planning and replacement schedules. Several other working groups focus on specific weapons systems areas, such as man-portable air-defense weapons, helicopters, and remotely piloted vehicles.

o Panel 2 conducts project coordination in order to examine opportunities for collaboration. Projects for which working groups have been established include the Sidewinder AIM-9L air-to-air missile, third generation antitank guided weapons, and the Stinger surface-to-air missile.

o Panel 3 develops guidelines and procedures for IEPG projects. Working groups address arms exports, compensation, industrial cooperation, and technology transfer. [redacted]

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None of the member nations has assigned personnel to the IEPG on a full-time basis. Instead, most of the IEPG's work is done at NATO headquarters in Brussels where National Armaments Directors representatives (NADREPS) also conduct IEPG business. Membership in the panels and working groups is established on an ad hoc basis. Currently, the Dutch NADREP supervises the work of his IEPG colleagues in Brussels. [redacted]

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Major Program Initiatives

Intra-European

Members of the IEPG have cooperated in several defense industry programs. A leading example of successful cooperation is the program for the Tornado, the multi-role combat aircraft produced by the

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Panavia consortium of the United Kingdom, West Germany, and Italy. In addition, the IEPG has monitored the programs involving the Franco-German Alpha-Jet trainer, the Franco-British Jaguar, the Franco-Belgian-Dutch minehunters, as well as all major Alliance programs under the auspices of the different NATO armaments groups. None of these projects, however, was undertaken at the behest of the IEPG. Rather, they were the result of bilateral or multilateral agreements between or among IEPG members, with the IEPG serving as coordinator and broker of information. In most cases, the joint project members established a committee to report to the IEPG. [redacted]

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US-European Efforts

Current United States cooperation with the IEPG stems in large part from a US offer, made in 1979, concerning European procurement or coproduction of 17 weapon systems. IEPG members worked together and established teaming arrangements for coproduction of several of the weapons, while individual IEPG members chose to procure several other items from the list. Perhaps the most successful coproduction project was the AIM-9L infrared missile. As a result of a Memorandum of Understanding (MOU) signed by the United States and West Germany, Bonn heads a consortium to coproduce the AIM-9L in Europe. Specific parts for the missile are manufactured in Norway, the United Kingdom, Italy, and West Germany. The assembled missile is employed on several aircraft, including the Tornado. [redacted]

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Dutch Campaign to Invigorate the IEPG

In a recent NATO Review article, IEPG Chairman van Houwelingen made a strong case for closer European arms cooperation through the IEPG. Citing the sharp rise in the unit costs of weapons systems--which has resulted in lower procurement levels --van Houwelingen argued that closer coordination through the IEPG could help reduce duplication in R&D, and that all members could benefit from economies of scale and greater military standardization and interoperability. He also stressed that Western Europe needed to pool its resources in order to maintain a healthy scientific and industrial base. He noted in this regard that Europe's fragmented defense industrial base makes it difficult to develop and produce weapons that are competitive in quality, quantity, or price when compared to US systems. [redacted]

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Van Houwelingen's frustration with the perceived lack of a real "two-way street" between the United States and Western Europe is shared by many of the Allies. In late 1983, for example, West German Defense Minister Woerner told US defense officials that before West Germany could participate in a program to exploit emerging

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conventional weapons technologies, there would have to be a "functioning" two-way street. More recently, a leading Christian Democratic Party defense expert, following a visit to the United States, expressed his concern over trans-Atlantic arms cooperation, noting an increasing US inclination against sharing the latest technology with the Europeans. [REDACTED]

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The West Europeans recognize the potential advantages of closer defense industrial cooperation in competing with the United States, but they have been unable to agree on how to proceed. Previous intra-European arms cooperation agreements have been reached bilaterally or among a small group of nations. Attempts to coordinate European-wide endeavors have failed, however, largely because individual countries have been unwilling to subordinate what they perceive to be vital national interests to achieve broader European objectives. Defense programs may involve weapons systems of common interest, but they also carry domestic economic and industrial benefits that countries want to protect, particularly in times of economic difficulty and fiscal austerity. [REDACTED]

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November 1984 Ministerial

Van Houwelingen has been pushing for more frequent meetings and was successful in getting the IEPG defense ministers together in The Hague last November. According to the US Embassy in The Hague, van Houwelingen achieved his major goals at the conference. The defense ministers again identified the "two-way street" as a major issue in defense industrial relations with the United States and agreed to intensify US-IEPG dialogue at the political level. The IEPG ministers also recognized the need to speak with one voice when dealing with the United States in order to strengthen their position, and they agreed that the IEPG chairman will speak on behalf of all IEPG members. [REDACTED]

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At the November meeting, the defense ministers also noted with satisfaction increasing European support for existing collaborative programs--including third generation antitank guided weapons and the advanced short-range air-to-air missile--and instructed their staffs to press forward on three other programs.

- A future main battle tank replacement, concentrating on the maximum use of common components.
- A medium-range surface-to-air missile replacement.
- A future transport aircraft. [REDACTED]

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The November meeting also reflected increased senior political support for intra-European armaments cooperation. West German Defense Minister Woerner stated, for example, that while national interests dominated in the past, IEPG ministers were more politically committed to European defense industrial cooperation. In their resolution and the press sessions following the meeting, the ministers emphasized their commitment. They also pledged their full support to the IEPG effort to review equipment planning and replacement schedules, and to bring significant projects to ministerial attention at an early stage, in order to ensure that possibilities for collaboration are considered from the outset of any project. Moreover, they agreed that, if an IEPG country decides to produce or purchase a weapon on its own, it will have to explain its reasons to the other members. [REDACTED]

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IEPG Chairman Visits Washington

Van Houwelingen will visit Washington in March in his capacity as Chairman of the IEPG. One of the items he will raise with defense officials is the need for a more structured dialogue between the United States and Europe. Van Houwelingen probably views the talks in Washington as exploratory and hopes to lay a foundation for later recognition of the IEPG as a single entity to represent European defense industries in the United States. The embassy in The Hague reports that van Houwelingen wants to discuss the possibility of a single MOU to govern arms cooperation between the IEPG and the United States. The Dutch minister reportedly expects to brief the IEPG ministers on the possibilities for MOU at their London meeting in June. [REDACTED]

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It is clear that the IEPG views MOUs as the most effective means of establishing defense industrial cooperation. All member nations have MOUs with the United States, and most intra-European projects have been carried out under an MOU. The IEPG surveyed its members early last year, and almost all countries cited their bilateral MOUs with the United States as having a positive influence on defense cooperation. An IEPG ad hoc working group concluded in May 1984 that a general MOU with the United States need not have direct practical effects in order to be valuable. This group saw value in an agreement that would incorporate general principles of the IEPG and lay a political foundation for the continued development of European defense industry. It is less clear, however, the exact form an MOU with the IEPG might take. Van Houwelingen described the potential MOU to the US Ambassador to NATO as a framework in which to address political issues, a document that could eventually become the basis on which Europe could be recognized as a "most favored nation," taking priority in certain areas over other US partners such as Japan. Such an understanding would require a single European entity, however, which van Houwelingen and the Europeans have yet to build. [REDACTED]

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[redacted]

Van Houwelingen will come to Washington recognizing that there are problems in developing an MOU on this side of the Atlantic as well. The IEPG study group expressed concern over US reluctance to involve government directly in the business of industry to the extent necessary to organize the detailed aspects of equipment development and production. The study also pointed to increasing signs of protectionism in Congress that could lead the United States to be less cooperative in the equipment field and in the wider defense context. Van Houwelingen probably will want to focus on broad political aspects of cooperation to determine if there is sufficient common ground between the IEPG and the United States to form the basis of even a general MOU. [redacted]

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Outlook and Implications for the United States

The IEPG has suffered from its ad hoc nature and the lack of a permanent staff. Thus far, the West Europeans have done little more than express an intent to use the IEPG to promote arms cooperation. An important test--which they failed-- was their effort to prepare a coordinated European response to the US-proposed initiative to exploit emerging technologies to improve NATO conventional defense capabilities. Their initial response included a varied list of programs that suggested the Europeans had not even discussed their intentions among themselves and certainly had not coordinated their efforts. The US Mission to NATO reported that each nation added its own favorite national system, and that these pet projects were simply assembled and passed on to the United States. The list focused essentially on current programs, or systems under development but nearing completion, and did not look at technologies still in their infancy. After receiving a number of questions concerning their report from the United States, IEPG members went back to the drawing board and are now making a second attempt to prepare a response. The results are expected in March. [redacted]

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The long-term potential of the IEPG is in large measure dependent on its ability to prepare a sound report that will elicit a positive US response to its proposals for cooperative efforts. To be successful, the members will have to override their own competing national concerns in the interest of the larger cause of European cooperation. If they are unable to do so, the IEPG is likely to remain an information clearing house, promoting dialogue but having little material effect on defense programs. [redacted]

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Despite the ambitious goals set by the Dutch and the signs of enthusiasm registered by defense ministers at the most recent IEPG meeting, no European capital has pledged its full support to the IEPG. The Europeans strongly wish to improve their defense economies, but

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thus far they have shown no great inclination to use either the IEPG or Western European Union (see attachment 3) to help them reach this goal. Until the Europeans demonstrate that they will make the necessary political commitment to make the IEPG a successful organization for promoting cooperation with the United States or enhancing intra-European arms cooperation, we expect them to pursue national defense industrial objectives through bilateral negotiations with Washington, and in small groups of European capitals. [REDACTED]

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ATTACHMENT 1

IEPG and WEU Membership

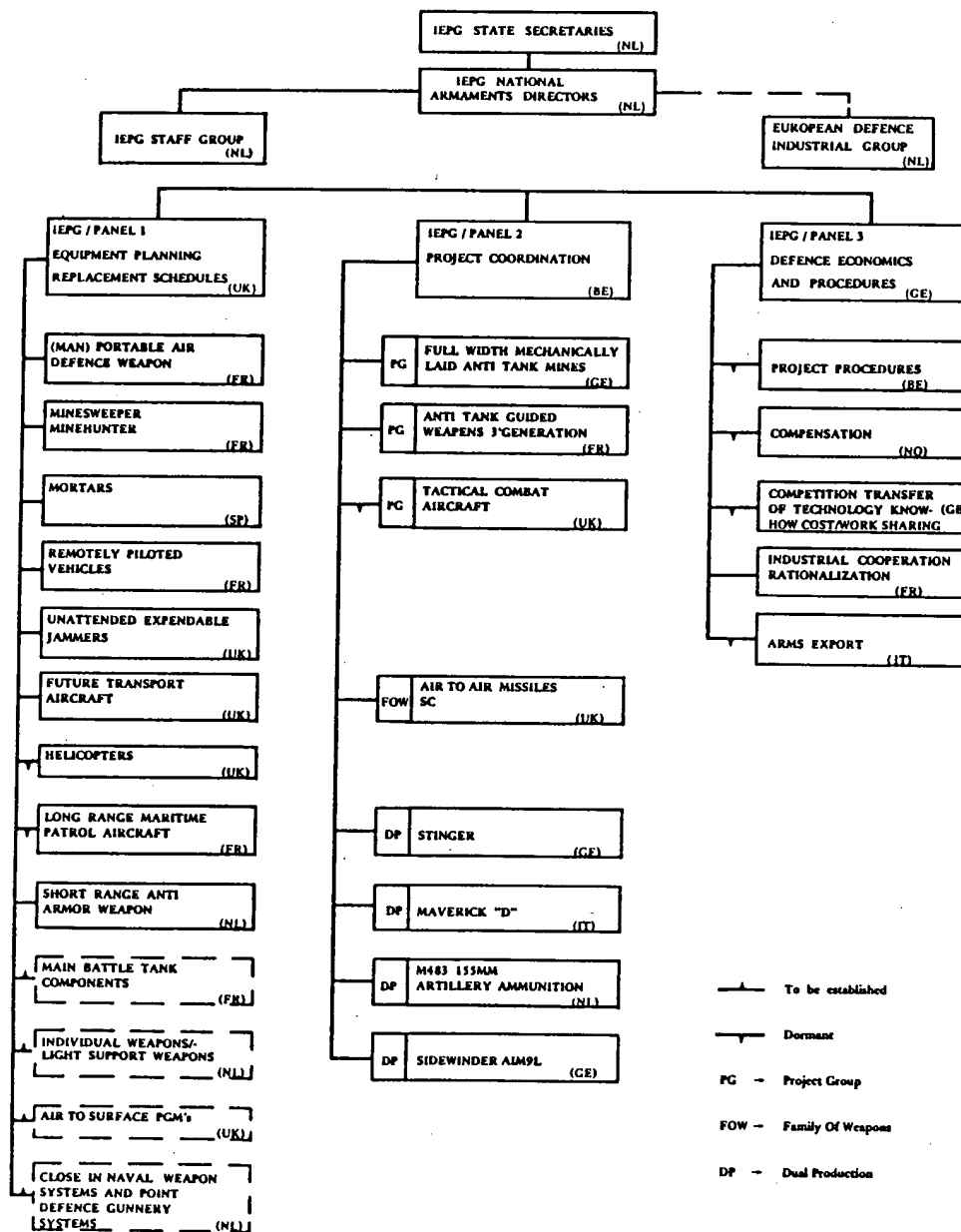
	<u>IEPG</u>	<u>WEU</u>
United Kingdom	xx	xx
France	xx	xx
West Germany	xx	xx
Belgium	xx	xx
Netherlands	xx	xx
Luxembourg	xx	xx
Italy	xx	xx
Denmark	xx	
Greece	xx	
Portugal	xx	
Norway	xx	
Turkey	xx	

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ATTACHMENT 2

INDEPENDENT EUROPEAN PROGRAMME GROUP



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ATTACHMENT 3

Annex

Alternatives to the IEPG

The IEPG has been the lone European organization for discussing European defense industrial cooperation, but the Europeans are giving some thought to using the Western European Union (WEU) for this purpose. As part of France's broader effort to reinvigorate the WEU, Paris has proposed that the organization be used to coordinate weapons development and production among its members. Such a proposal offers some advantages, particularly since the WEU does not include the West European nations with the least developed defense industries and thus could be a forum for more structured and practical discussions of armaments policies. [redacted]

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There is a clear conflict of interests, however. Van Houwelingen, for example, clearly opposes the creation of an arms cooperation role for the WEU. Last year, he told the US Ambassador to NATO that the French effort to reinvigorate the WEU was not helpful and could dilute the IEPG's efforts. On the French side, their representative at the November 1984 IEPG meeting sounded a note of caution when he stated that "one should not expect miracles of cooperation in the IEPG." More recently, French Defense Minister Hernu has characterized the WEU as only a forum for the discussion of European armament policies. [redacted]

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We believe there is room for both the WEU and IEPG as forums for European defense industrial cooperation. The most likely and useful way to bring the two organizations together would be to capitalize on the permanent structure of the WEU to foster political discussions and reach agreements on European arms cooperation projects. Specific projects could then be channeled into the IEPG where the national armaments directors could take them for action. It is possible that the WEU members could create a permanent organization to serve as a secretariat for the IEPG, but this could prove awkward because not all IEPG members are in the WEU and the smaller IEPG members could be offended. [redacted]

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